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Washington report, vol. 18 no.40, December 11, 1989

American Institute of Certified Public Accountants.

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Recommended Citation

American Institute of Certified Public Accountants., "Washington report, vol. 18 no.40, December 11, 1989" (1989). *Newsletters*. 1226.

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Washington Report

December 11, 1989, Volume XVIII, Issue 40

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MANAGEMENT AND BUDGET, OFFICE OF

A list of government programs vulnerable to fraud, waste, and abuse has been compiled by the OMB and released by Sen. John Glenn (D-OH), the chairman of the Senate Governmental Affairs Committee. Trouble spots in 16 different Federal departments and agencies are identified by OMB, Sen. Glenn said. Included are the following: 1) Failure by the IRS to collect \$63 billion in delinquent taxes; 2) No reconciliation of Social Security Administration (SSA) and IRS records--SSA earning records show \$58.5 billion less than IRS records; 3) Inadequate accounting systems and internal controls in various agencies, such as Federal Crop Insurance Corporation programs, the Medicare catastrophic benefits program, and Indian Health Service programs; 4) Problems with financial systems at the Environmental Protection Agency, the Departments of Commerce, Education, State, and Transportation, and the National Aeronautics and Space Administration; and 5) Audit coverage under the Job Training Partnership Act is not in compliance with the requirements of the Single Audit Act. In addition, the OMB reports that the Department of Defense has "identified 18 material weaknesses in supply operations." The weaknesses include inadequate assurance that items are received before payments are made, and ineffective management of spare part inventories, which leads to "payments for goods not received and no assurance that materials listed as available in inventory are physically warehoused and available for use."

Sen. Glenn said one step he plans to take, to help reduce the risks outlined by OMB, is to introduce legislation to establish a Chief Financial Officer for the Federal government. The AICPA has long supported such legislation and it was one of the recommendations made by the AICPA's Task Force on Improving Federal Financial Management. The AICPA is also conducting a national, by invitation only, colloquium on improving Federal financial management on 12/11/89 in Washington, D.C.

TREASURY, DEPARTMENT OF

The IRS Commissioner's Advisory Group is scheduled to meet 12/13-14/89, the IRS announced (see the 12/1/89 Fed. Reg., p. 49835). The meetings are scheduled to begin at 8:30 a.m. in Room 3313 of the Internal Revenue Service Building at 1111 Constitution Ave., N.W., Washington, D.C. The agenda on 12/13/89 includes the following topics: information systems development, Bill of Rights status report, commercial preparers, budget allocation/audit resources, information returns processing and human resources subgroup report. The agenda on 12/14/89 includes the following topics: NAS panel on research on taxpayer compliance, regulations subgroup report, follow-ups, questions and answers, and news items. For further information after reading the notice, contact Robert F. Hilgen at the IRS at 202/566-4143.

A new simplified Federal unemployment tax return is now available for use by certain employers for the 1989 tax year, the IRS announced. The new form, Form 940-EZ, is characterized by the IRS as being especially suited for small businesses with uncomplicated tax situations and most household employers. Over 85 percent of all existing Form 940 filers who timely pay unemployment contributions to only one state may use the new form, the IRS said. The IRS said employers were alerted to the development of the new form by Notice 896, which was mailed to employers with the third quarter employment tax returns 941, 941E, and 942. The new form is also included in Publication 51, Agricultural Employer's Tax Guide, and Publication 393, Federal Employment Tax Forms, and Package 942, Household Employer Tax Forms. Copies of Form 940-EZ are also available by calling the IRS at 1/800-424-3676.

TREASURY, DEPARTMENT OF

The tax treatment of employee business expenses under a reimbursement or other expense allowance arrangement is the subject of temporary and final regulations issued by the IRS. The regulations are scheduled to be published in the 12/12/89 Federal Register. The new rules reflect changes to the tax law made by the Family Support Act of 1988. The IRS explained that the law prohibits an employee from claiming an adjustment to income for reimbursed employee expenses, "unless the expenses are reimbursed under an arrangement that requires substantiation and any excess expenses are returned to the employer." The new rules provide guidance to employers on what constitutes an accountable reimbursement plan. Written comments and requests for a public hearing must be delivered or mailed before 2/12/90. For further information after reading the temporary and proposed regulations, contact Richard Pavel at the IRS at 202/377-9372.

In a related action, the IRS also released Revenue Procedures 89-66 and 89-67. Revenue Procedure 89-66 contains the 1990 standard mileage rates for computing the deductible costs of operating a passenger automobile for business, charitable, medical, or moving expense purposes. The standard mileage rate for business use of an automobile in 1990 will be 26 cents a mile--up from 25.5 cents a mile in 1989. For charitable activities, the standard mileage rate will remain at 12 cents a mile in 1990. For medical and moving expense purposes, the standard mileage rate for 1990 will remain at 9 cents a mile. The special standard mileage rate for business use of an automobile by rural mail carriers will be 39 cents a mile for 1990. The IRS said the substantiation and adequate accounting requirements of the temporary regulations are met for employers who use the 26 cents a mile rate for reimbursing employees' business use of an automobile. Revenue Procedure 89-67 relates to per diem and meal allowance expenses. The IRS said the substantiation requirements of the temporary regulations will be satisfied if the rules for employee travel expenses outlined in Revenue Procedure 89-67 are followed. Travel reimbursement should not exceed the Federal per diem rates for the area of travel, in order to meet the substantiation requirements. The IRS said it recognized that there are many different Federal per diem rates throughout the United States and that employers may use a per diem rate of \$122 per day for 28 high cost areas and \$85 per day for all other areas. Revenue Procedures 89-66 and 89-67 are scheduled to be published in Internal Revenue Bulletin 1989-52, dated 12/26/89.

A video tape highlighting the Regional Prototype Program established by Revenue Procedure 89-13 is available for loan to practitioners who are drafting plans under the Tax Reform Act of 1986, the IRS said in Announcement 89-157. The tape describes the structure and advantages of the Regional Prototype Program, and explains how a practitioner can become a sponsor of a regional prototype plan, according to the IRS. Copies of the 13-minute tape can be borrowed for a two-week period from the local Chief (EP/EO) Division in each Key District Office, as well as from the Director, Employee Plans Technical and Actuarial Division, IRS National Office, 1111 Constitution Ave., N.W., Washington, D.C. 20224 Attn: Dianne Briggs, E:EP:Q, Room 6550. Announcement 89-157 is scheduled to be published in Internal Revenue Bulletin 1989-51, dated 12/18/89. For further information after reading the notice, contact Charles Lockwood at the IRS at 202/343-0729.

A meeting concerning the relationship between the banking industry and electronic filing has been announced by the IRS and is scheduled for 1/3/90 (see the 11/28/89 Fed. Reg., p. 48973). The meeting is scheduled to be held from 9:00 a.m. to 4:00 p.m. in the IRS Auditorium, 7th Floor, 1111 Constitution Ave., N.W., Washington, D.C. Also on the agenda are briefings by IRS and Financial

Management Service personnel on automated deposit of electronic payments for taxes, refund anticipation loans, and filing of Forms 1041 on magnetic media. Individuals wishing to attend must make reservations no later than 12/22/89 by contacting Karyn Wallace at the IRS at 202/343-0012. For further information after reading the notice, contact Ms. Wallace at the above telephone number.

Final regulations have been published relating to the requirement mandated by the Tax Reform Act of 1986 (TRA '86) that Federal agencies report certain information to IRS about all persons with whom the agency contracts (see the 12/6/89 Fed. Reg, pp. 50367-72.). Section 6050M of TRA '86 requires that the name, address, and taxpayer identification number (TIN) and any other information required by Treasury regulations be reported to the IRS. The regulations were proposed in the 7/29/88 Federal Register. The final regulations are effective 1/1/89 and apply to contracts entered into on or after 1/1/89, except that, with respect to a basic or initial contract entered into before 1/1/89, the regulations do not apply to an increase contract action treated as a new contract if the increase occurs before 4/1/90, or if the increase is not in excess of \$50,000. The IRS said the information returns filed under section 6050M will be used as a source of information to collect delinquent Federal tax liabilities with Federal agencies. The Service also said it "has no plans to implement requirements for additional data that would disrupt the flow of contract information." For further information after reading the final regulations, contact Keith E. Stanley at the IRS at 202/566-3367.

SPECIAL: SENATE CONFIRMS CPA TO HEAD UMTA

Brian W. Clymer, CPA, has been appointed and confirmed to serve as the Administrator of the Urban Mass Transportation Administration. Mr. Clymer was nominated to the position by President Bush in April and was confirmed by the Senate in November. Prior to his appointment, Mr. Clymer served as Vice Chairman of the Board of Directors for the Southeastern Pennsylvania Transportation Authority (SEPTA). He has also served in various other positions with SEPTA and is the founder of Clymer Merves & Amon. Mr. Clymer has been a member of the AICPA since 1979.

For further information contact Shirley Twillman at 202/737-6600.

AICPA Washington Report

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